



**2015/16 – 2017/18  
SERVICE PLAN**



For more information on the BC Lottery Corporation (BCLC) contact:

**74 West Seymour Street, Kamloops, B.C. V2C 1E2**

**250-828-5500**

**Email:** [consumerservices@bclc.com](mailto:consumerservices@bclc.com)

**Customer Support: 1-866-815-0222**

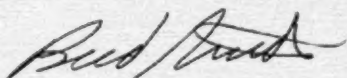
or visit our website at  
[www.bclc.com](http://www.bclc.com)

## Accountability Statement

On behalf of our Board of Directors and employees, we are pleased to present BCLC's 2015/16 – 2017/18 Service Plan to the Honourable Michael de Jong, Minister of Finance.

Our service plan was prepared under the Board's direction in accordance with the *Budget Transparency and Accountability Act* and the B.C. Reporting Principles. The plan is consistent with Government's strategic priorities and fiscal plan as outlined in the 2015/16 Mandate Letter as well as the Budget and Fiscal Plan and the Government Strategic Plan found at (<http://www.bcbudget.gov.bc.ca/default.htm>). The Board is accountable for the contents of the plan, including what has been included in the plan and how it has been reported.

All significant assumptions, policy decisions, events and identified risks as of January 14, 2015, have been considered in preparing the plan. The performance measures presented are consistent with BCLC's mandate and goals, and focus on aspects critical to the organization's performance. The targets in this plan have been determined based on an assessment of BCLC's operating environment, forecast conditions, risk assessment and past performance.



Bud Smith  
Chair, Board of Directors

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# Strategic Direction and Context

## Strategic Direction

Specific direction from Government to BCLC is provided in the 2015/16 Mandate Letter ([www.bclc.com/content/dam/bclc/corporate/documents/service-plan-2015-16.pdf](http://www.bclc.com/content/dam/bclc/corporate/documents/service-plan-2015-16.pdf)) directing BCLC to take specific actions and, in accordance with Government policy and directives, implement the Taxpayer Accountability Principles. These principles and mandate form part of our strategic context and, along with economic and market trends, inform the business choices we make.

## Operating Environment

### **Changing player preferences towards more costly products**

BCLC is experiencing a shift in its product mix with an increase in high-limit table revenue somewhat offset by declining sales in the lottery business. BCLC's success in attracting the high-limit table game market has increased revenue while also increasing direct costs to BCLC. While this change in player preferences contributes positively to the delivery of net income, it has a corresponding negative impact on BCLC's comprehensive costs ratio.

### **Mature markets and increasing competition**

The gambling and entertainment environments are increasingly competitive and challenging. BCLC competes against other gambling and entertainment offerings for players' discretionary time and budget. In addition, BCLC's traditional distribution channels are close to meeting existing market demand from players, and consequently we are enhancing the relevance of the games and entertainment we provide to sustain our business.

### **Rapidly evolving player expectations**

We are uniquely positioned to offer convenient gambling entertainment. We monitor trends in the entertainment and gambling marketplace to understand player preferences. We have the opportunity to use these insights to manage risks effectively and identify the right content, creating vibrant and engaging entertainment that attracts and retains players.

### **Risks and opportunities**

The fastest growing segment of our revenue – high-limit table games in casinos – is heavily dependent on an international player base and is largely tied to the health of the tourism industry. The recent slowdown of international economies and currency restrictions presents risks for the growth of business. At the same time, there are significant opportunities to capitalize on this growth trend and the recent change in value of the Canadian dollar by maintaining a player-centric focus and catering to the interests of this player base. BCLC's commitment to maintain the most efficient cost structure has a potential downside risk of limiting revenue generation.

# Performance Plan

## Goals, Strategies, Measures and Targets

Our mandate is to grow net income responsibly for the benefit of British Columbians, applying the Taxpayer Accountability Principles. BCLC aims both to build public understanding of our business through transparency, and to manage costs efficiently and effectively, investing wisely to sustain the long-term health of our business.

BCLC is currently developing and implementing strategies to meet the Taxpayer Accountability Principles, including Standards of Conduct, an Evaluation Plan and Strategic Engagement Plan.

### **Goal 1: Player – we are creating an integrated player-focused entertainment company.**

BCLC achieves positive outcomes for citizens of British Columbia by maintaining a player-centric focus.

#### **Strategies**

##### **Create fun player experiences with relevant content in and across games, channels and touchpoints.**

Our players have many entertainment options on which to spend their discretionary dollars. Learning what our players want and delivering the best player experiences to meet their expectations will help make us a top entertainment choice. Using tools and technology, we will continue to listen to our players to be a more player-centric organization, whether it be in our gaming facilities, at lottery retail locations or online.

##### **Grow and diversify the player base to strengthen our business.**

By increasing the entertainment value of our products and amenities and integrating new content, we are focused on broadening and diversifying our player base to strengthen our business. We are moving toward one view of the player regardless of where they play our games. This will help create a seamless experience and cultivate long-term player relationships.

##### **Optimize our distribution channels.**

Our traditional gambling distribution channels are mature and close to meeting market demand. We will continue to review ways to evolve our casino and lottery businesses and leverage our eGaming platform, PlayNow.com, so that we attract a broader player base by offering relevant, accessible entertainment experiences.

##### **Develop responsible gambling programs that are effective in encouraging healthy gambling choices.**

We believe the more informed players are, the better equipped they are to make healthy decisions about gambling. Our commitment to developing responsible gambling programs is demonstrated by our successes with our internationally recognized and adopted GameSense education program, our Level 4 responsible gambling certification by the World Lottery Association (the highest level possible) and our gaming facilities' and PlayNow.com's commitment to RG Check, an independent accreditation program that reviews how BCLC and our private sector service providers operate against best practices and independent standards in responsible gambling.

We continue to expand Responsible Gambling Awareness Weeks, working with the Gaming Policy and Enforcement Branch and communities across B.C. to raise public awareness about responsible gambling practices to help reduce risk and connect people to community resources and services. As well, the Government of British Columbia and BCLC are dedicating \$2 million over five years to the independent Centre for Gambling Research at the University of British Columbia. Research from this centre will help inform the Province's responsible and problem gambling programs.

### Performance Measure: Player Satisfaction

Performance Measures	2013/14 Actual	2014/15 Forecast	2015/16 Target	2016/17 Target	2017/18 Target
Player Satisfaction <sup>1</sup>	81%	80%	80%	81%	83%

Data Source: Continuous online tracking study conducted by third-party research professional. Study uses standard market research industry standard techniques to randomize the sample, while retaining a gender, age and regional balance that is consistent with B.C. population figures available from Statistics Canada's Census.

Player Satisfaction measures how satisfied players are with their experience in each of our gambling channels. This metric gauges BCLC's overall success in creating exceptional entertainment experiences for our players. Working with our service providers, we will continue to create fun player experiences with relevant content in and across games, distribution channels and touchpoints.

We have adjusted our targets based on historical and forecast information. While our results are very positive, our target is to grow the level of satisfaction in conjunction with broadening our player base.

### Performance Measure: Player Participation (% at least monthly)

Performance Measures	2013/14 Actual	2014/15 Forecast	2015/16 Target	2016/17 Target	2017/18 Target
Player Participation	54%	52%	54%	55%	57%

Data Source: Continuous online tracking study conducted by third-party research professional. Study uses standard market research industry standard techniques to randomize the sample, while retaining a gender, age and regional balance that is consistent with B.C. population figures available from Statistics Canada's Census.

Player Participation measures the percentage of adult British Columbians who play a BCLC game in any of BCLC's gambling channels at least once a month. This measure is an indicator of how successful we are in creating entertaining and relevant experiences so players purchase our games. We plan to grow player participation by appealing to light and casual players while retaining our current player base. We expect to do this through continued refinements to our marketing programs and

<sup>1</sup> Starting 2014/15, BCLC slightly revised the definition of 'player'; this revision has not had any impact on previous year's results.

through enhancing the entertainment experience across games, channels and touchpoints.

Fewer high jackpot rolls on lottery games in 2014/15 have contributed to lower than targeted results and we have adjusted our targets based on historical and forecast information.

### Performance Measure: Player Awareness of Responsible Gambling Activities

Performance Measures	2013/14 Actual	2014/15 Forecast	2015/16 Target	2016/17 Target	2017/18 Target
Player Awareness of Responsible Gambling Activities <sup>2</sup>	68%	78%	79%	80%	81%

Data Source: Continuous online tracking study conducted by third-party research professional. Study uses standard market research industry standard techniques to randomize the sample, while retaining a gender, age and regional balance that is consistent with B.C. population figures available from Statistics Canada's Census.

Player Awareness of Responsible Gambling Activities measures the percentage of players who are aware of at least one of BCLC's five responsible gambling activities. A key component of BCLC's gambling management is our commitment to strengthening responsible gambling programs and their delivery. This measure determines how effective we are at educating our players about responsible gambling, so that players can make informed and healthy gambling choices.

Starting in 2014/15, we revised the survey statements for Player Awareness of Responsible Gambling Activities to reflect our key responsible gambling program priorities, including player education initiatives through casino GameSense Info Centres, communications about and improvements to the Voluntary Self-Exclusion program, and provision of tools such as setting limits and a budget when gambling. As a result of these changes and our plans to continuously enhance our responsible gambling programs, BCLC has increased its targets based on historical and forecast information. In future years, we will develop measures to determine the effectiveness of our responsible gambling programs in changing player behaviour.

### Performance Measure: Net Win per Capita (\$)

Performance Measures	2011/12 Benchmarks <sup>3</sup>	2013/14 Actual	2014/15 Forecast	2015/16 Target	2016/17 Target	2017/18 Target
Net Win Per Capita	BCLC \$458 Canada \$404 OLG \$363 LQ \$332	\$468	\$476	\$477	\$482	\$484

Data Source: Net win is from BCLC's financial plan. B.C. population projections are from Statistics Canada. "Population Projections for Canada (2013 to 2063), Provinces and Territories (2013 to 2038)." 2014.

Net Win per Capita tells us how successful we are in growing revenue in relation to the provincial

<sup>2</sup> In 2013/14, BCLC began to target its responsible gambling activities more specifically on selected player segments. This change reflects our continuing refinements so that we reach players effectively. Starting in 2014/15, we revised the definition of 'player' in the survey to measure Player Awareness of Responsible Gambling Activities; however, this adjustment has not impacted previous year's results.

<sup>3</sup> Net win figures for Benchmark calculations are sourced from Responsible Gambling Council on behalf of the Canadian Partnership for Responsible Gambling. "Canadian Gambling Digest 2011/12." June, 2013. Population figures are from Statistics Canada. "Annual Demographic Estimates: Canada, Provinces and Territories." 2014.

population. Net win is calculated for lottery and bingo games by deducting prizes from gross sales. Casino game prizes are paid during game play. The net win is divided by B.C.'s total population based on publicly reported population figures to obtain per capita metrics. Population estimates and projections are updated annually.

Indexing to the total population allows us to benchmark to other jurisdictions, as the age at which legal gambling is permitted varies between jurisdictions. Net Win per Capita will not grow if the population rate of growth is higher than the rate of net win growth. Since this measure is widely used in the gambling industry, consistent benchmarking is possible. BCLC has consistently outperformed the benchmark organizations, Loto-Québec (LQ) and Ontario Lottery and Gaming Corporation (OLG) and the Canadian average, and one of the primary reasons is our ability to attract revenue from tourism.

Targets for the next three years have been set based on our forecast performance for 2014/15 and predicted growth in net win. Our forecast takes into account the planned introduction of new products, services and facility developments.

## **Goal 2: People – we are building an engaged workforce and a strong culture based on trust and collaboration.**

We strive to demonstrate the value of our work by complying with a rigorous, standardized approach to performance management and employee compensation, which reflects appropriate compensation that is consistent with Government's Taxpayer Accountability Principles and other provincial Crown corporations in B.C.

### **Strategies**

**We plan our future workforce needs so our people have the right skills at the right time for the success of our business.**

Our human resources programs will continue to nurture a culture and environment that support BCLC's business strategy. Developing our employees so they continue to be our number one asset and are prepared for the rapidly changing external environment continues to be a key focus. We will continue to invest in leadership and employee development to provide the training and resources needed to sustain and grow net income to Government.

**We are an employer of choice.**

For eight consecutive years BCLC has been selected as a top employer in British Columbia. We continue to pursue excellence in the programs, services and experiences we offer to our workforce.

**We are creating a rewarding and inspiring environment where fun is part of the experience.**

Our employees are integral to creating fun gambling experiences, and we need a workforce that is passionate and engaged. Our employees drive the success of our business, whether they are modernizing our systems; researching, developing and implementing new products and services; or working with our private sector service providers to enrich the player experience.

We listen to our employees through our annual employee engagement survey, and act upon the results

to attract and retain the right talent. We are currently implementing a Human Resources Management System that will create a single, integrated view of our workforce.

### **Performance Measure: Employee Engagement**

Performance Measures	2013/14 Actual	2014/15 Forecast	2015/16 Target	2016/17 Target	2017/18 Target
Employee Engagement	n/a	78%	80%	82%	82%

Data Source: Anonymous online survey among BCLC employees, conducted by a third-party market research professional using industry standard techniques.

This performance metric measures the percentage of BCLC employees that are engaged. Employee Engagement is defined as the intellectual and emotional commitment employees have in an organization. It reflects the effort and dedication employees exert to contribute to the organization's success. An inspired and engaged workforce will help to drive the success of our business, delivering the great entertainment experiences our players expect.

BCLC's employee engagement level is very positive. We have adjusted our targets based on historical and forecast information and are planning to slightly increase our employee engagement levels.

### **Performance Measure: Employee Turnover Rate**

Performance Measures	2013/14 Actual	2014/15 Forecast	2015/16 Target	2016/17 Target	2017/18 Target
Employee Turnover Rate	12.4%	25.0%	14.0%	12.0%	10.0%

Data Source: BCLC internal sources. Data is measured on a monthly basis with the year-end calculated by averaging the monthly rates.

Employee Turnover Rate measures the combined percentage of voluntary and involuntary turnover relative to BCLC's total headcount. Employee Turnover Rate helps us determine how successful we are in attracting and retaining a workforce to drive the continuous optimization of our business in an ever-changing marketplace. It is a measure that gauges our competitiveness in the labour market as well as the effectiveness of our training, development and retention programs.

Cost management activities, including organizational restructuring in early 2014/15, and uncertainty due to the Crown Review of BCLC, led to higher than targeted results for Employee Turnover Rate. Future targets have been adjusted based on historical and forecast information and based on continued expected increases in competition in the market for talented employees with the skills and abilities to meet our business needs.

## **Goal 3: Public – our business and the benefits it creates are understood, trusted and supported by British Columbians.**

BCLC strives to engage in respectful and effective communications that properly inform or consult all parties on actions, decisions and public communications in a timely manner. BCLC proactively collaborates in a spirit of partnership that respects the use of taxpayers' monies.

We have established a strong ethical code of conduct for all employees and executives, which serves

the citizens of British Columbia by respecting the shared public trust and acting in accordance with the Taxpayer Accountability Principles.

### **Strategies**

#### **Our contributions to economic growth and communities are recognized and valued by the public.**

Our license to operate stems from public trust and support. Building the trust of our players, the public and our stakeholders is critical to the long-term success of our business. It is paramount that the public understands that our products are fair and our facilities are safe. We will continue to strike the right balance in delivering a healthy bottom line and giving our players the tools and education to make responsible gambling choices.

#### **The gambling entertainment choices we offer are delivered with integrity and transparency.**

More than \$1 billion is delivered each year to the Province of British Columbia for health care, education, community initiatives and other programs. Sustaining this net income depends on BCLC's ability to build the public's understanding, trust and support of our business by being a good corporate citizen, demonstrating integrity in what we deliver and how we deliver it, and being transparent in how we manage and conduct our business.

As part of our continued mandate, we will use information provided by law enforcement to create actions and solutions to prevent money laundering in B.C. gaming facilities.

### **Performance Measure: Public Recognition of Positive Contributions**

Performance Measures	2013/14 Actual	2014/15 Forecast	2015/16 Target	2016/17 Target	2017/18 Target
Public Recognition of Positive Contributions	61%	62%	64%	65%	66%

Data Source: Continuous online tracking study conducted by third-party market research professional. Study uses standard market research industry techniques to randomize the sample, while retaining a gender, age and regional balance that is consistent with B.C. population figures available from Statistics Canada's Census.

This metric measures the percentage of adult British Columbians who agree that BCLC makes positive contributions to the Province of British Columbia. Public opinion drives our social license to operate. As we continue to transform our business to make gambling a widely embraced form of entertainment, it is important that the public recognizes the benefits BCLC's gambling business creates in a socially responsible manner. This measure helps us gauge our success in building this understanding and support.

We have increased our targets based on historical and forecast information and our plans to become increasingly transparent about our business plans and the impact of those plans, so that our business and its benefits are better understood and supported by British Columbians.

### **Performance Measure: Public Perceptions of BCLC's Transparency**

Performance Measures	2013/14 Actual	2014/15 Forecast	2015/16 Target	2016/17 Target	2017/18 Target
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Public Perception of BCLC's Transparency	52%	50%	52%	55%	57%
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Data Source: Continuous online tracking study conducted by third-party market research professional. Study uses standard market research industry techniques to randomize the sample, while retaining a gender, age and regional balance that is consistent with B.C. population figures available from Statistics Canada's Census.

This metric measures the percentage of adult British Columbians who view BCLC as forthcoming and open with the public. The gambling entertainment choices we offer must continue to be delivered with integrity and transparency. Public Perception of BCLC's Transparency helps us gauge our success in becoming increasingly transparent and forthcoming so that our business and its benefits are understood and supported by British Columbians. Future targets reflect our plans to become increasingly transparent.

### Performance Measure: Level of Greenhouse Gas Emissions

Performance Measures	2013/14 Actual	2014/15 Forecast	2015/16 Target	2016/17 Target	2017/18 Target
Level of Greenhouse Gas Emissions (CO <sub>2</sub> e metric tonnes by calendar year)	2013:1,374	2014:1,382	2015:1,142	2016:1,119	2017:1,097

Data Source: Data is obtained from the suppliers of electricity, natural gas, fleet vehicle fuel and paper from internal procurement reporting. Data for electricity and natural gas consumption is verifiable from billable consumption figures supplied by the respective utilities companies. Usage for our offsite data facility is calculated from meter readings. Fleet vehicle fuel consumption is verified from our fleet vehicle management company reporting. Paper consumption of all types of reportable paper is measured internally each month.

Our reportable greenhouse gas (GHG) emissions result from buildings, fleet vehicles and certain office paper supplies. BCLC uses calculations provided by the Province to convert and report our GHG emissions in a standard format. This calculation is completed and reported in metric tonnes of carbon dioxide emissions (CO<sub>2</sub>e) by calendar year.

Since 2010, BCLC has been required to meet the requirements for carbon neutrality set out in the *Greenhouse Gas Reductions Target Act* and pursue actions to minimize GHG emissions.

We are assessing the most appropriate approach for further reducing emissions from our Kamloops office. As BCLC significantly reduced our number of fleet vehicles in 2014/15, we have adjusted our targets to account for this change.

Sustainability is a key component of our social responsibility mandate and we are advancing environmentally sustainable behaviours in our organizational culture as part of our business modernization programs. This will allow us to meet our long-term goal of reducing our GHG emissions. BCLC will continue to act upon meeting its long-term goal of a 33 per cent reduction in reportable emissions from a 2007 baseline year by 2020.

### Goal 4: Profit – we will optimize net income through investing to sustain the long-term health of our business.

BCLC aims to strengthen cost management capabilities and foster our culture of cost-consciousness. The organization will transparently manage responsibilities by enhancing organizational efficiency

and effectiveness in its planning, reporting and decision making. We will ensure actions are aligned with the Taxpayer Accountability Principles.

### **Strategies**

#### **Continue to improve our operational efficiency and effectiveness to optimize and manage the costs of our business.**

We work closely with our private sector service providers and third-party vendors to conduct and manage our gambling operations in a more efficient manner. We look for ways to leverage our existing PlayNow.com asset across our organization to optimize net income from our distribution channels. As we modernize our corporate systems we are identifying and implementing processes and technological solutions that streamline functions, manage and track project expenditures and strengthen our cost management capabilities. This work directly aligns to our responsibilities under the Taxpayer Accountability Principles.

#### **Define and integrate the innovative experiences our players want, delivered with our strategic partners.**

We continue to monitor and understand consumer trends and what our players want in convenience, personalization and service. With player understanding as our basis and working with best-in-class partners, we will continue to invest in innovative products and services that deliver engaging gambling experiences to our players, and efficiently grow net income.

#### **Get to market fast with innovations so our games and services are more relevant.**

We continue to improve processes, technology and skills to streamline the technology, finance and procurement activities that support our business operating units. Continuous improvements in our support areas not only enable us to deliver services cost-effectively, but also help us build a more agile business environment that gets our product and service innovations to market faster. Speed to market with innovative and engaging entertainment offerings will be key to growing our player base and sustaining net income delivery to the Province.

#### **Scale and sell our innovations and expertise where it makes business sense.**

As BCLC makes investments in our platforms and technologies, as well as in the expertise we need to make our business successful, we will continue to be mindful of potential opportunities. We will maximize our returns by extending BCLC services and operations to other regulated jurisdictions, as we have done with the launch of PlayNow.com in Manitoba.

### **Performance Measure: Net Income**

Performance Measures	2013/14 Actual	2014/15 Forecast	2015/16 Target	2016/17 Target	2017/18 Target
Net Income (millions)	\$1,174.6	\$1,207.4	\$1,216.0	\$1,242.8	\$1,260.1

Data Source: BCLC's financial plan

Net Income is the total amount of income generated net of prizes, direct expenses, operating expenses and taxes. It is calculated in accordance with International Financial Reporting Standards (IFRS). BCLC's Net Income is delivered to the Province and used to benefit all British Columbians for funding of public health care, education and charitable and community programs.

This measure is a direct indicator of our success in meeting our mandate to generate income for the benefit of all British Columbians. Net Income targets are updated through a reforecasting process that analyses latest revenue trends on a product category basis, to build baseline contribution margin (revenues less direct costs) projections. Baseline costs for 2015/16 are estimated using a zero-based budgeting approach. Incremental revenues and costs from strategic initiatives are incorporated to baseline projections and result in the financial plan.

### Performance Measure: Comprehensive Costs Ratio (% of Net Win)

Performance Measures	2011/12 Benchmarks	2013/14 Actual	2014/15 Forecast	2015/16 Target	2016/17 Target	2017/18 Target
Comprehensive Costs Ratio (% of Net Win)	BCLC (42.0%) LQ (46.6%) OLG (60.6%)	43.4%	43.0%	43.3%	43.3%	43.4%

Data Source: BCLC's financial plan. Benchmark sources<sup>4</sup>

The Comprehensive Costs Ratio is the sum of direct, gaming support, operating, amortization and other costs (excluding taxes) divided by net win and expressed as a percentage. The ratio is updated based on a review of our latest financial performance, updated net win forecasts and future growth opportunities. Cost ratios are used to gauge operational efficiency.

Performance data and trends analysis indicate a shift in product mix that is resulting in a 1.2 per cent increase in direct costs versus the 2014/15 budget. Future year targets incorporate the impact of this trend on our Comprehensive Costs Ratio. BCLC's Comprehensive Costs Ratio has historically been below Canadian benchmark comparators.

<sup>4</sup> Benchmarks are calculated using figures from Ontario Lottery and Gaming and Loto-Québec's fiscal 2011/12 financial statements provided in their published annual reports.

# Financial Plan

## Summary Financial Outlook

<b>Consolidated Corporate Operations</b>					
	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>
<b>\$ Millions</b>	<b>Actual</b>	<b>Forecast</b>	<b>Budget</b>	<b>Target</b>	<b>Target</b>
Revenue	2,808.4	2,850.5	2,889.8	2,938.1	2,973.9
Prizes	665.6	641.7	650.3	650.7	648.2
<b>Net Win</b>	<b>2,142.8</b>	<b>2,208.8</b>	<b>2,239.5</b>	<b>2,287.4</b>	<b>2,325.7</b>
Direct Costs	665.5	711.9	720.5	736.7	752.0
<b>Gross Margin</b>	<b>1,477.3</b>	<b>1,496.9</b>	<b>1,519.0</b>	<b>1,550.7</b>	<b>1,573.7</b>
Gaming Support Costs	36.5	36.4	38.0	38.8	39.5
Operating Costs	139.3	126.8	131.6	131.6	131.6
Amortization and Other	88.7	75.3	80.4	82.5	85.5
Gaming Support & Operating	264.5	238.5	250.0	252.9	256.6
<b>Net Income Before Taxes</b>	<b>1,212.8</b>	<b>1,258.4</b>	<b>1,269.0</b>	<b>1,297.8</b>	<b>1,317.1</b>
Taxes	38.2	51.0	53.0	55.0	57.0
<b>Net Income</b>	<b>1,174.6</b>	<b>1,207.4</b>	<b>1,216.0</b>	<b>1,242.8</b>	<b>1,260.1</b>
<b>Liabilities</b>	<b>446.3</b>	<b>487.9</b>	<b>492.7</b>	<b>524.8</b>	<b>557.3</b>
Accumulated Surplus /					
(Deficit)	(17.1)	(17.1)	(17.1)	(17.1)	(17.1)
Accumulated Other					
Comprehensive Loss	(21.4)	(21.4)	(21.4)	(21.4)	(21.4)
<b>Total Deficit</b>	<b>(38.5)</b>	<b>(38.5)</b>	<b>(38.5)</b>	<b>(38.5)</b>	<b>(38.5)</b>

### Key Forecast Assumptions

Revenue projections were built at the operating segment level on a product category basis. Historical trends analysis was used to project revenue growth. Revenue is projected to increase \$123.4 million or 1.4 per cent on average over the three-year period.

Prizes are estimated to increase by \$6.5 million over the three-year period due to increased revenue. Net win, which is revenue after prizes paid, is projected to increase by \$116.9 million or 1.7 per cent on average over the three-year period, as a result of revenue growth.

Direct costs include private sector service provider and retailer commissions, lottery ticket and bingo paper printing, supplies and leases and are driven by revenue projections on a product category basis. Direct costs are forecast to increase \$40.1 million or 1.8 percent on average over the three-year period.

BCLC is expecting to exceed its net income target for the year ended March 31, 2015 due to an increase in high-limit table revenue, which is somewhat offset by declining revenue in the lottery business. High-limit table revenue has higher direct costs than lottery due to the fact that table games

have higher operator commissions to compensate for the intensive labor components of this business. This trend is expected to continue and results in lower gross margins. However net income is forecasted to grow incrementally during the Service Plan period through growing revenue while controlling costs.

Gaming support costs are expenses that directly support revenue generation including equipment installation and maintenance, systems support, data transmission, product delivery and sports odds-setting. Costs are expected to rise in 2015/16 due to the scheduled completion of the rollout of our casino gaming management system at the end of 2014/15. Gaming costs are projected to increase 2.8 per cent on average for the remaining three years of the planning period.

Operating costs include employee costs, professional fees, rent, equipment and goods, marketing, communications and financial costs. Over the three year period, BCLC plans to maintain operating costs at fiscal 2015/16 levels.

Amortization is increasing due to capital expenditures including the replacement of our legacy casino gaming management system and investments in business support and modernization programs. Amortization projections for later years assume evenly spread deployment of budgeted capital over the plan period.

## Sensitivity Analysis

The business planning process for the three-year financial plan involved a thorough analysis of revenue trends at an operating unit level on a product category basis, to build baseline organic growth assumptions. Incremental revenue was added from new and strategic initiatives. As a result, the three-year plan is sensitive to changes in sales mix along with risks associated with future initiatives, such as execution risk, market acceptance and adoption of launched products and facilities.

Below is a table outlining the sensitivities at a net win level given the above factors.

	FY16		FY17		FY18	
	High	Low	High	Low	High	Low
<b>Net Win Target</b>	<b>2,240</b>	<b>2,240</b>	<b>2,287</b>	<b>2,287</b>	<b>2,326</b>	<b>2,326</b>
<b>Forecast Risks and Sensitivities</b>						
Slot revenue change (1%)	11	(11)	11	(11)	11	(11)
Volatility in High-Limit Table Play (10%)	29	(38)	17	(51)	18	(53)
Market adoption/acceptance of new initiatives	-	-	-	(44)	-	(69)
<b>Net Win Risk Adjusted</b>	<b>2,280</b>	<b>2,191</b>	<b>2,315</b>	<b>2,181</b>	<b>2,355</b>	<b>2,193</b>

## Management Perspective on Future Financial Outlook

Delivering on our net income commitments to Government continues to be challenging given market trends and conditions.

Our two major business units (lottery and casino) are mature and facing market saturation. Revenues are flattening and margins are sensitive to shifts in product mix. Lottery revenues are heavily dependent on jackpot rolls, resulting in lottery revenue volatility. As well, revenues from these business units rely predominantly on a core, aging player base.

Our six highest revenue products (Slots, Tables, LOTTO MAX, Lotto 6/49, Keno and Scratch & Win) make up more than 90 per cent of our total contribution margin (revenue less direct costs). We must support and enhance our core products to retain our core players. At the same time we must invest in the development of new products and channels that will engage new demographics of players. These opportunities take time and investment before we will realize net income growth.

We are investigating avenues to re-invigorate revenue generation by looking at new ways to offer our products and expand content to attract and grow new player segments to ensure our future relevance and competitiveness as an entertainment choice.

In 2014/15 BCLC is scheduled to complete a multi-year project to replace the legacy casino gaming management system. Upcoming investment initiatives focus on refining product and expanding content offerings to continue engagement. Revenue renewal initiatives include new and improved gaming facilities, optimizing distribution in our lottery business and enhanced mobile experiences for eGaming.

We are committed to managing responsibly in this ever-evolving environment and continue to focus on improving operational performance. Investment decisions will enable future business growth and competitiveness, and are balanced with cost management in order to deliver our net income commitments to the Province. Investment decisions carefully consider return, risk, expected benefits, the size of the investment required and our commitments for future net income. We are continually managing costs and looking for ways to operate our business more efficiently and effectively.

## Capital Plan and Major Projects

	2013/14	2014/15	2015/16	2016/17	2017/18
	Actual	Forecast	Budget	Target	Target
<b>\$ thousands</b>					
Gambling Systems					
Lottery	7,758	6,675	9,100	11,000	11,000
eGaming	8,665	5,517	6,800	11,000	11,000
GMS	35,099	23,505	-	-	-
Casino & Community Gaming	32,172	29,401	52,200	66,000	66,000
	83,694	65,098	68,100	88,000	88,000
Infrastructure, Corporate					
Systems & Transformation	14,668	23,197	17,300	16,500	16,500
Corporate Facilities	1,920	1,705	4,600	5,500	5,500
	16,588	24,902	21,900	22,000	22,000
<b>Total New Capital</b>	<b>100,283</b>	<b>90,000</b>	<b>90,000</b>	<b>110,000</b>	<b>110,000</b>

### Lottery

In our lottery business a key initiative is the continued expansion of distribution into major grocery chain stores through Lotto Express multilane technology. We also continue to innovate to bring new lottery game content to market, including partnering with other lottery corporations in Canada.

### eGaming

In addition to the continued expansion of PlayNow.com's casino gaming content, key initiatives include:

- Leveraging and integrating our online sports betting offerings with gaming facilities,
- Building applications to improve player experiences through mobile and
- Implementing a content management system to more efficiently update and handle PlayNow.com content.

### Casino & Community Gaming

Our multi-year casino gaming management system rollout is scheduled for completion in 2014/15. Other key initiatives in 2015/16 include:

- Building new facilities in Salmon Arm and Kamloops,
- Implementing the Casino Optimization Plan, including strengthening operating agreements and roles with our private sector service providers and improving marketing and promotion through leveraging the tools of the new gaming management system,
- Piloting of PlayNow.com's digital platform into gambling facilities to offer a sports betting experience and
- Renewing and refreshing slot machine and table games to meet player expectations for new exciting games.

### Corporate

BCLC will continue to invest in the replacement of legacy systems and the modernization of core technology and business infrastructure, including a plan to enhance office infrastructure in Kamloops.

## Appendix A:

### Hyperlinks to Additional Information

For information about BCLC's:

Vision, mission and values	<a href="http://corporate.bclc.com/who-we-are/our-mission-and-values.html">http://corporate.bclc.com/who-we-are/our-mission-and-values.html</a>
Structure	<a href="http://corporate.bclc.com/who-we-are.html">http://corporate.bclc.com/who-we-are.html</a> <a href="http://corporate.bclc.com/what-we-do.html">http://corporate.bclc.com/what-we-do.html</a> <a href="http://corporate.bclc.com/social-responsibility/economic/benefits-to-bc.html">http://corporate.bclc.com/social-responsibility/economic/benefits-to-bc.html</a>
Corporate governance	<a href="http://corporate.bclc.com/who-we-are/governance-and-oversight/board-of-directors.html">http://corporate.bclc.com/who-we-are/governance-and-oversight/board-of-directors.html</a>

## Appendix B:

### Subsidiaries and Operating Segments

#### Sudsubsidiaries

The consolidated financial statements of BCLC include a wholly owned subsidiary, B.C. Lottotech International Inc. (Lottotech). The primary business of Lottotech is the purchase and lease of capital assets for BCLC, with Lottotech's budget renewed and approved through our annual business planning process. The financial operations, management and oversight of Lottotech are consolidated within BCLC operations.

## Business Units' Income Statements

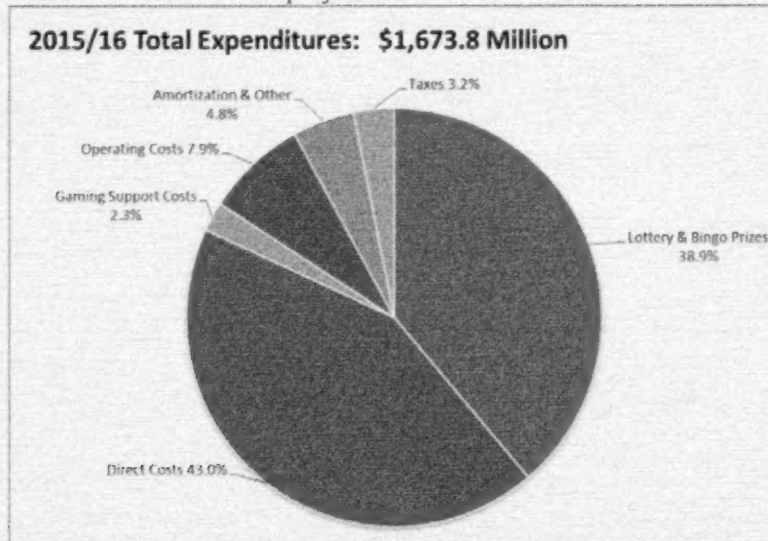
\$ millions	Actual 2013/14	Projection 2014/15	Projections		
	2015/16	2016/17	2017/18		
<b>Lottery</b>					
Revenue	1,032.5	971.0	993.9	980.3	974.3
Prizes	587.0	561.0	568.2	561.3	558.2
Net win	445.5	410.0	425.7	419.0	416.1
Less: direct expenses	76.5	73.3	75.2	73.3	72.7
	369.0	336.7	350.5	345.7	343.4
Operating expenses:					
General Operating	45.3	45.2	46.9	46.9	46.9
Gaming Support	12.7	14.6	15.2	15.6	15.8
Amortization	11.4	7.8	8.5	9.3	8.8
Other	4.6	1.2	1.0	1.0	1.0
	74.0	68.8	71.6	72.8	72.5
<b>Net Income Before Taxes</b>	295.0	267.9	278.9	272.9	270.9
Taxes	10.9	11.3	11.7	12.2	12.6
<b>Net income</b>	284.1	256.6	267.2	260.7	258.3
<b>e-Gaming</b>					
Revenue	91.0	106.5	115.8	136.2	143.4
Prizes	28.6	33.0	36.9	46.3	48.8
Net win	62.4	73.5	78.9	89.9	94.6
Less: direct expenses	8.2	12.0	13.5	14.9	15.8
	54.2	61.5	65.4	75.0	78.8
Operating expenses:					
General Operating	16.8	14.5	15.1	15.1	15.1
Gaming Support	7.0	8.0	8.4	8.5	8.7
Amortization	7.2	11.7	12.9	11.6	11.0
Other	0.3	0.3	0.2	0.2	0.2
	31.3	34.5	36.6	35.4	35.0
<b>Net Income Before Taxes</b>	22.9	27.0	28.8	39.6	43.8
Taxes	2.9	3.6	3.8	3.9	4.1
<b>Net income</b>	20.0	23.4	25.0	35.7	39.7
<b>Casino &amp; Community Gaming</b>					
Revenue	1,684.9	1,773.0	1,780.1	1,821.6	1,856.2
Prizes	50.0	47.7	45.2	43.1	41.2
Net win	1,634.9	1,725.3	1,734.9	1,778.5	1,815.0
Less: direct expenses	580.8	626.6	631.8	648.5	663.5
	1,054.1	1,098.7	1,103.1	1,130.0	1,151.5
Operating expenses:					
General Operating	77.2	67.1	69.6	69.6	69.6
Gaming Support	16.8	13.8	14.4	14.7	15.0
Amortization	43.2	50.5	53.6	56.1	60.2
Other	22.0	3.8	4.2	4.3	4.3
	159.2	135.2	141.8	144.7	149.1
<b>Net Income Before Taxes</b>	894.9	963.5	961.3	985.3	1,002.4
Taxes	24.4	36.1	37.5	38.9	40.3
<b>Net income</b>	870.5	927.4	923.8	946.4	962.1

## Appendix C:

# Operating Expense Breakdown

### Total Expenditures

Total expenditures for Fiscal 2015/16 are projected at \$1.7 billion.



### Operating Costs Breakdown

